



**Testimony  
Barbara Henry  
on Behalf of the Connecticut Council of Small Towns  
Before the Labor Committee  
of the Connecticut General Assembly  
February 8, 2011**

Good afternoon Senator Prague, Representative Zalaski and members of the Committee. My name is Barbara Henry, and I'm the First Selectman of the Town of Roxbury. I'm testifying today in my capacity as President of the Connecticut Council of Small Towns. COST represents the interests of the state's smaller jurisdictions – Connecticut's suburban and rural communities under 30,000 in population. COST would like to thank the Committee for taking up the important issue of prevailing wage rates especially as this unfunded mandate relates to the increased costs of municipal operations. My comments today reiterate many points made by COST to this Committee during a previous Informational Forum on this topic.

It is essential for the Committee – especially its new members – to understand that the General Assembly has not adjusted project cost thresholds that trigger the prevailing wage requirements for 20 years. Needless to say, expenses to towns for labor, energy and materials and other construction related expenses have increased significantly during the past two decades. The purchasing power of \$100,000, which is the threshold for renovations, and the \$400,000 dollar benchmark for new construction, has seriously eroded since 1991. Price inflation since then has increased more than 60%.

Current prevailing wage laws translate directly into significantly higher project costs for municipalities and higher property taxes for our residents. We think the status quo represents bad public policy. Given present economic circumstances, it is unfathomable to the leaders of small towns and cities why the Legislature has done nothing to address this situation.

COST believes the time has come to balance "living wage" arguments, that proponents of the current system make, with the pressing need to restore some measure of fairness and equity to the process for local taxpayers. We respectfully recommend that one single threshold be established for both renovation and new construction and that it be set at one million dollars. We would also ask that this benchmark be periodically adjusted for inflation.

Some in Hartford have suggested that we need existing prevailing wage rate rules to protect towns from being taken advantage of by unscrupulous or incompetent contractors. While we appreciate the concern of those who feel this way, I respectfully submit to you that whether union workers are used or union scale is paid has little bearing on a project's final outcome. Key to the success of a municipal project is that it is well designed, has a workable plan and is overseen by knowledgeable local officials.

Numerous bills have been introduced this session to either raise the prevailing wage threshold or suspend prevailing wage rules during periods of high unemployment such as we are experiencing now. COST strongly agrees with the underlying rationale of these proposals. Spending an extra 20% or more on local projects squanders money that could fund additional programs and provide local property tax relief. The prevailing wage mandate – as it is currently structured – not only wastes precious financial resources, it also costs rather than protects jobs.

We recognize that prevailing wage reform is not a fiscal silver bullet; nevertheless, it should be given immediate and full consideration. In these times how can we ignore the opportunity to take reasonable action that would provide towns millions more in funds to support essential projects and programs and yield local property owners with much needed tax relief?

Included with this testimony are several compelling examples that demonstrate the negative fiscal impact of the current prevailing wage rate rules on towns and their taxpayers. While I won't read them to you I would encourage Committee members to review them when you have an opportunity.

I would like to thank the Committee on behalf of our members for holding this informational session and public hearing on the issue of prevailing wage rate reform and would be pleased to answer any questions.

### **Examples of Current Prevailing Wage Rate Rules and Their Impacts at the Local Level**

1. The Town of Salisbury, using a state grant to reconstruct sidewalks and curbs, had to put the bid out twice because none of the local contractors who could have done the job were willing to bid. A local elected official had to plead with contractors from outside the area to finally put in a bid. Even larger firms from far away didn't like the local job as it was almost too small for them to make a reasonable profit. Additionally all of their prevailing wage workers had to travel long distances to the job site. Unfortunately the town has very few motel rooms to accommodate these workers and the cost for these is quite high. Local contractors that could easily have competed for the jobs were discouraged by the requirements to jump through hoops to pay prevailing wage.

Former First Selectman  
Town of Washington  
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2. The Town of Granby received quotes for the construction of a proposed wash bay, one with prevailing wages, and one without. With prevailing wages the cost estimate is: \$223,020. Without prevailing wage, the cost estimate is \$140,000. The extra cost to the town: \$83,000

William Smith, Manager  
Town of Granby  
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3. The Town of New Hartford recently had a second well (code) project that ballooned in cost due to the expenses associated with prevailing wage. After initially bidding a second well project at one of the elementary schools, with the low bidder bidding at \$99,806.90 (not using prevailing wages rates) and the next lowest bidder coming in at \$140,690.00 (using prevailing wage rates) the town's attorney recommended that we go back out to bid asking that the project be bid universally using prevailing wages rates. He was concerned that an unplanned cost overrun would put the low bidder into prevailing wage territory and cause a problem for both the contractor and the town. After a period of time, the initial lower bidder re-bid the same project using prevailing wages rates. This new bid, which was ultimately accepted, came in as the low bidder at \$130,611.01, a cost increase of nearly \$31,000.00. This project was approved as a state building grant project and New Hartford was reimbursed at its state approved rate. Therefore, this cost increase impacted more than New Hartford's finances.

Philip B. O'Reilly, Ed.D.  
Town of New Hartford Superintendent  
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4. Thompson is in the midst of a project that is just under the \$1 million threshold. The Quinebaug Fire Station is being constructed partially with Small Cities funds (through DECD) and partially through STEAP funds (through DPS). The total project cost is around \$960,000 over two phases, and I estimate

the town could have saved between \$150,000-\$175,000 if we could have been exempt from prevailing wage. The Fire Station belongs to a nonprofit fire company, and they could have received a lot more donated, discounted, and otherwise market-rate labor without this requirement. More than that, hassling with prevailing wage has cost a good deal of time. The additional layer of requirement has made it difficult to administer at all levels.

John P. Guskowski, Director of Planning & Development  
Town of Thompson

5. The Town of Old Lyme performed a reconstruction of a portion of its historic Lyme St., using STIP funds. The project was approved for \$940,000, but we did it for \$765,000+. I do not know how much the prevailing wage component added but I believe it was significant. In fact, we did our own drainage work before the project was put out to bid just so we would avoid the prevailing wage premium.

In addition, the Towns of Lyme and Old Lyme were awarded STEAP grants in the amount of \$325,000 each for two park and recreation baseball fields (phase II) at our Town Woods Park. We believe the total project will not exceed \$800,000, so the prevailing wage will definitely apply. A local contractor, who did phase I, said he could do it for a lot less without prevailing wage. He does not pay his guys as much as the prevailing wage number and he, being a taxpayer, is embarrassed to charge so much.

Tim Griswold, First Selectman  
Town of Old Lyme

6. The Town of Thompson completed a renovation project to our Center School. Per conversation with the contractor, had this \$1M project not been subject to the constraint of prevailing wage - this project would have cost approximately \$100K less. We currently have a Senior Center Project on the plate, and are investigating the impact here as well. When I learn something, I will pass it along.

Dick Burke, Town of Oxford, Board of Finance

